

October 1, 2007

Honorable William J. McCoy
Speaker of the House
Post Office Box 1018
Jackson, MS

Dear Mr. Speaker:

Thank you for your letter of September 28 about the plan to use \$600 million of Community Development Block Grant money for the redevelopment of the Port of Gulfport. It has been incorrectly reported that this is a diversion of money that was appropriated for housing, and the terminology used by the Mississippi Development Authority was the main reason for that misunderstanding.

On November 1, 2005, we finalized Mississippi's request for federal help to recover from Hurricane Katrina. We provided that request and plan, a copy of the budget for which is attached, to Congressional leaders, the Bush Administration, the Legislature and the public. The original plan, as you can see, called for the use of \$500 million of federal funds from USDOT to redevelop the Port of Gulfport, plus \$100 million of the allocation from the Corp of Engineers for channel improvements serving the Port. Ultimately Congress decided to lump most of our broad requests into one pool of

money largely routed through a single entity, the Community Development Block Grant Program at the U.S. Department of Housing and Urban Development.

The major supplemental appropriations bill passed by Congress the next month allocated \$5.058 billion of Community Development Block Grant money to Mississippi. Our request to Congress and the Administration had been for \$5.2 billion in Community Development Block Grant money, including the \$600 million for redevelopment of the State Port at Gulfport contained in Mississippi's November 1, 2005, proposal.

As to the use of federal CDBG funds allocated to Mississippi, slightly less than \$3 billion will go directly to homeowners or rental housing, including Phase I and Phase II of homeowner grants; grants to public housing authorities; elevations grants for homeowners who are required to elevate out of the flood plain; small rental unit forgivable loans for owners who charge rents consistent with HUD's low-to-moderate income levels; and additional workforce housing. Additionally, 5,500 units of low-to-moderate rental housing are being financed by Katrina low-income housing tax credits, and homeowners are benefiting from reduced interest rate mortgages issued by the Mississippi Home Corp.

Additionally, more than \$1 billion of CDBG funding benefits homeowners indirectly, including electric utility rate payer mitigation, which obviated the need for a 35% rate increase by Mississippi Power and resulted in a rate increase of less than 2%; and \$640 million of water, sewer and wastewater

treatment facilities to allow families to build homes further north and away from the worst hurricane risks.

We anticipate that some 25,000 homeowners will benefit from the Homeowner Grant and Elevation Grant programs, and the other programs will result in the building or rebuilding of more than 16,000 units of public or other low-to-moderate income rental housing. The Workforce Housing Program will fund no less than 3,000 units or new homes for working families.

While some of these figures have been adjusted since November of 2005, the \$600 million for redevelopment of the Port of Gulfport has remained constant. The overall amount for help in meeting housing needs is also remarkably close to what we estimated just over two months after the storm. For your information, I have attached the current allocation for use of the \$5.058 billion in CDBG funds that is Mississippi's share of the CDBG funds appropriated by Congress in two separate appropriations bills.

The Port redevelopment, which the Port Commission and MDA have been planning for nearly two years, even as repair work was ongoing, will improve the Port as a maritime cargo port and also make it safer by moving most of the resting containers to a remote inland facility if a hurricane threatens. The redevelopment will relieve congestion in Gulfport, significantly improve rail service for the Port, add as many as 3,000 new jobs, and better serve major Mississippi industries, such as poultry, forest products and, potentially, automobiles.

In my presentations to the Legislature and groups of legislators I talked about redevelopment of the Port as a major use of Katrina disaster assistance money beginning in 2005. The Port redevelopment was discussed in public meetings beginning with the Governor's Commission on Recovery, Rebuilding and Renewal in the fall of 2005. I mentioned the project in my State of the State address in January 2006. A public stakeholders meeting was held May 8, 2006, which was attended by Coast legislators.

In short, using \$600 million to redevelop the Port is neither new nor a "diversion" of housing funds; the project has been in Mississippi's comprehensive Katrina recovery plan from the very beginning. The Mississippi Development Authority received a large number of comments during the recent public comment period, and those comments will be reviewed and taken into account in the final plan.

Thank you for your letter about this issue. I have sent a copy of my response to all the legislators who joined with you in your letter.

Sincerely,

Haley Barbour

HRB:dk

Enclosure

cc: